Re: Substitute for House Bill 4306

As the Child Nutrition Director of Okemos Public Schools with management contracts to operate Williamston Community Schools, Springport Public Schools, St. Mary's Catholic School in Williamston, St. Martha's Catholic School in Okemos and a vended meals contract with Mid Michigan Leadership Academy in Lansing, I would like to share some information, data and considerations in regards to Child Nutrition Programs (foodservice) included in this bill.

I have 30+ years experience in the Child Nutrition Program business. My degrees are in Hotel, Restaurant and Institutional Management, Management of Human Resources and an MBA. Experience covers over 13 years as a food service director for one of the largest food service management companies in the world, over 10 years as the President/CEO and co-owner of a successful Michigan based food service management company that serviced public schools, colleges and out-door education facilities (we sold the business in 2000) and eight years as the director of a fiscally responsible self-operated Child Nutrition Program in a public school. I am able to bring knowledge and experience from both the FSMC and self-operated program perspectives.

The Child Nutrition Programs are a federally funded program under guidance of the USDA. Public Schools in Michigan do not receive any foundation allowance dollars to operate their Child Nutrition Programs. The Child Nutrition Program is designed to operate as a non-profit business generating revenue to cover the department expenses with no contribution from the general fund, but as a contributor to general fund. Did you know that indirect costs for operating the Child Nutrition Programs can be transferred to the general fund? In most instances, no more than 15% of the operating expenses, less food cost, can be transferred. In my home district alone, Okemos Public Schools, that amount could cover the cost of about 1.5 full-time teaching positions without respect to the other schools we manage.

Food Service Management Companies (FSMC) do have their place in the marketplace, but they are not the answer to school finance. FSMC's are profit based and need to generate income to fund their own layers of management before any consideration is given to the school district. The in-direct cost transfer to the general fund indicated earlier is the same for self-operated programs as well as FSMC operated programs. FSMC's cannot generate any greater funding to the general fund than a self-operated program.

Two reasons why a district currently would contract Child Nutrition Programs:

1) Director retires and administration does not want to take the time to search for a new director. Many administrators see this as an easy fix.
2) The Child Nutrition Department cannot break even and must be subsidized by general fund.

Upon being hired at Okemos Public Schools, the Child Nutrition Program was being subsidized by the general fund by approximately six figures. It took a little over a year to bring the program into the black with funds available for transfer to the general fund. Williamston Community Schools had a FSMC contract with one of the world wide companies for many years and was subsidizing the Child Nutrition

Program with general fund dollars and also paying the FSMC about the same amount of dollars in fees to operate the program. Okemos reached out to Williamston three years ago to share services with a win-win contract between the districts and now Williamston generates a return to the district each year and has grown the Child Nutrition Fund Balance. Several thousand dollars are available to the general fund. This is the first year with a win-win agreement with Springport Public Schools, the previous director retired, their savings should be at least half of what the total cost was for their previous director. Yes, it is a lot of work and dedication to operate more programs than one and no, we have not added anymore labor to manage the additional schools. We just operate efficiently with well trained district employees who take pride and ownership in their jobs. In the past two years, we have started hiring employees through a third-party company which has resulted in savings. We now have organized employees working right beside third-party employees.

The common denominator in a fiscally operated Child Nutrition Program is a well trained food service director whether it is self-operated or under contract with a FSMC. In many instances, a district just needs to provide training for their food service director to make it fiscally responsible. The School Nutrition Association of Michigan, Michigan School Business Officials and MDE provides training classes for hourly employees and directors. It is not unusual to see a FSMC advertise for a director prior to bids being submitted or upon award of the bid. FSMC's do not have well-trained food service directors waiting in the wings to be placed in a position.

MDE has a standard RFP that has been approved by USDA for schools to use when bidding Child Nutrition Programs. This truly is a USDA federally controlled Child Nutrition Program process. MDE only facilitates the process. At this time, bids are awarded for one year with a possible 4 – one year renewals and the local school board must annually renew the contract. The district must do an in-depth study of their Child Nutrition Department to provide the best information possible for the bid. They also must determine their award criteria. Only 51% of the award criteria can be based upon price and the other 49% is based upon non price criteria such as: years of experience of the food service director, nutrition education programs that they will provide, company management support to the director, accounting systems, promotional material, marketing programs and the list goes on. It is costly for the school district to prepare the bid, advertise the bid, hold mandatory pre-bid meetings and tours, receive the bids, analyze the bids and then award the bid. The process also costs the FSMC's thousands of dollars to attend the pre-bid meetings, prepare and deliver the bid. In my experience, there is an income/enrollment threshold that must be met before a FSMC will submit a bid. In other words, a district must meet the FSMC thresholds before they will submit a bid. So, there are many school districts in Michigan that could release an RFP and not receive any bids.

In the Substitute for House Bill 4306, collective bargaining groups are not prevented from submitting a competitive bid. That is great! Did you know that the bids require a 5% bid bond or a 5% cashier check of the total bid price to be submitted with the bid? In order to get bid bonds, the bidder must be prequalified with financial backing and meet other criteria before a bonding company will write a bond. I believe that this will eliminate many collective bargaining units from submitting a bid. Even if the collective bargaining unit could submit the cashier check with the bid, I do not believe that they can meet the non-price criteria. The collective bargaining unit members are the ones that are the front line workers. In my opinion, the collective bargaining units are at a true disadvantage for submitting a bid.

Alternatives I would like to offer for consideration:

1) Remove Child Nutrition Programs (foodservice) from this bill because they are not part of the operating general fund. This is a federal program not a state program.
2) Allow school districts that have already shared service/consolidation contracts in place to continue to operate and be exempt from this bill as long as they are operating efficiently and fiscally responsible with general fund contributions for in-direct costs as allowed by federal law. These districts would be exempt from the required bidding process.
3) All school districts with Child Nutrition Programs that are operated efficiently and fiscally responsible with general fund contributions for in-direct costs as allowed by federal law to continue to operate and be held exempt from this bill. If the program is not fiscally responsible, the program would have one year to become fiscally responsible. After that time, if the program is not fiscally responsible, the program would no longer be exempt from this bill.
4) Leave this bill in committee and let the LEA's (local education agencies) make decisions in their district and community that is fiscally responsible. Districts do not need the legislature to give them the "cookie cutter" solution.

I recognize the financial crisis that looms in Michigan. I live it every day. I would be happy to further discuss this bill and partner with you to prepare another substitution to the bill. I do not believe that mandated outsourcing is the automatic solution for the current school financial status. Mandated outsourcing/bidding would not allow for local control and may not create a long term cost savings to the district.

Thank you for your time and consideration.

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